

Message Text

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ACTION SS-25

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R 110944Z NOV 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4280

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 18410

EXDIS

DEPARTMENT PLEASE PASS TREASURY FOR UNDER SECRETARY YEO
AND ASSISTANT SECRETARY COOPER

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: POEHL ON THE ECONOMIC SUMMIT

1. DURING ONE OF MY PERIODIC MEETINGS WITH FINANCE
MINISTRY STATE SECRETARY POEHL, ON NOVEMBER 10TH, I
FOUND POEHL IN A FAIRLY PESSIMISTIC MOOD REGARDING THE
UPCOMING ECONOMIC SUMMIT. POEHL SAID HE FELT THAT THE
HEADS OF STATE AND GOVERNMENTS WOULD ALMOST CERTAINLY
WISH TO ISSUE A COMMUNIQUE AND HE, TOO, THOUGHT IT WAS
IMPORTANT TO GIVE THE WORLD A FEELING OF POSITIVE
ACHIEVEMENT. BUT IN REVIEWING THE TOPICS THAT WOULD BE
DISCUSSED AND THE POSITIONS OF THE GOVERNMENTS ON THESE
ISSUES AS OF NOW, IT WAS DIFFICULT TO ENVISAGE ENOUGH
SUBSTANTIAL PROGRESS, OTHER THAN IN A REVIEW OF THE
CURRENT ECONOMIC SITUATION WHERE IT DID LOOK AS IF THE
WESTERN WORLD WAS SLOWLY PULLING OUT OF THE RECESSION.
IT WOULD BE IMPORTANT AND USEFUL PSYCHOLOGICALLY FOR
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THE HEADS OF STATE AND GOVERNMENTS TO EXPRESS THEIR

JOINT BELIEF THAT THE WORLD WAS ON THE WAY TO RECOVERY,
BUT BY ITSELF THIS WAS A LITTLE "THIN" FOR A COMMUNIQUE.

2. ON THE QUESTION OF AID TO THE LDC'S IT WOULD BE VERY
DESIRABLE IF THE WESTERN LEADERS COULD SAY WHAT THEY
ARE PREPARED TO DO, PROVIDED THAT THEY ALSO WOULD
INDICATE CLEARLY WHAT THEY WERE NOT PREPARED TO DO.
PARTICULARLY ON THIS LAST POINT IT WAS VERY UNLIKELY,
HOWEVER, THAT AGREEMENT COULD BE REACHED. GISCARD'S
RECENT SPEECH ON THE CONTRARY INDICATED THAT EACH
COUNTRY WAS LIKELY TO CONTINUE TO ATTEMPT TO CURRY FAVOR
WITH THE LDC'S, WITH GERMANY AND THE U.S. BEING LEFT TO
HOLD THE BAG OF A "TOUGH" POSITION AGAINST UNREASONABLE
DEMANDS. WITHIN THE GERMAN BUREAUCRACY, TOO, THE
POSITION OF THOSE HOLDING OUT AGAINST UNREASONABLE
PROPOSALS WAS BECOMING INCREASINGLY MORE DIFFICULT AS
HAD BEEN SHOWN BY THE EVENTS LEADING TO THE GERMAN
ACCEPTANCE OF THE RESOLUTION AT THE 7TH SESSION OF THE
UN.

3. ON THE ENERGY QUESTION POEHL DID NOT THINK THAT THE
SUMMIT COULD DO MUCH BEYOND LISTENING TO A BRIEFING BY
PRESIDENT FORD ON U.S. ENERGY POLICIES AND PROGRAMS.

4. POEHL SAID THAT ON THE BASIS OF THE NEW YORK MEETING
OF THE PREPARATORY GROUP, IT HAD SEEMED THAT THE SUMMIT
MIGHT REACH SOME ACCOMMODATION ON THE EXCHANGE RATE
QUESTION. AGREEMENT HAD SEEMED POSSIBLE ON A COMMON
GOAL OF "A MORE STABLE SYSTEM" AND ON MORE CONCERTED
INTERVENTION ON BOTH SIDES OF THE ATLANTIC TO REDUCE
FLUCTUATIONS IN EXCHANGE RATES. HE, POEHL, HAD BEEN
SKEPTICAL AT THE TIME WHETHER GEORGE SHULTZ AND RAYMOND
BARRE WOULD BE ABLE TO CARRY ALONG THEIR GOVERNMENTS ON
THIS COMPROMISE AND IT NOW SEEMED THAT HIS SKEPTICISM
HAD BEEN WELL FOUNDED, EVEN THOUGH DE LA ROSSIER HAD
TOLD HIM THAT THE FRENCH POSITION REMAINED QUITE
FLEXIBLE. POEHL SAID HE WAS UNSURE OF THE U.S.
POSITION, BUT THOUGHT IT WOULD HAVE TO BECOME CLEAR
AT THE FINAL LONDON PREPARATORY MEETING. THE BASIC
QUESTION WAS IF THE U.S., TOO, WOULD BE WILLING TO
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ACCEPT RESPONSIBILITY FOR MORE INTERVENTION IN THE
EXCHANGE MARKET. IF IT SHOULD NOT BE POSSIBLE TO
ACHIEVE AN AGREEMENT IN PRINCIPLE ON THE SUBSTANCE OF
THE EXCHANGE RATE REGIME, IT WOULD BE NEXT TO HOPELESS
TO TRY TO ACHIEVE AGREEMENT EITHER NOW OR IN JAMAICA
ON THE MORE COMPLICATED QUESTION OF THE AMENDMENT OF
THE IMF ARTICLES.

5. IN THIS CONNECTION POEHL ALSO BROUGHT UP THE U.S.
POSITION ON GOLD. HE SAID THAT IN HIS VIEW IT HAD BEEN
CLEARLY AGREED THAT ALL PARTS OF THE GOLD PACKAGE SHOULD

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 18410

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BE IMPLEMENTED TOGETHER. THIS HAD BEEN THE WHOLE POINT
OF THE WASHINGTON AGREEMENT AND IT FRANKLY LEFT A VERY
POOR IMPRESSION IF THE U.S. NOW TRIED TO GO BACK ON THIS
AGREEMENT RESORTING TO TECHNICAL, LEGAL ARGUMENTS.
POEHL STRESSED THAT ON THE GOLD QUESTION THE U.S. WAS
ISOLATED AND ALL OF THE EUROPEANS SUPPORTED THE FRENCH
POSITION. POEHL CONTINUED BY OBSERVING THAT THE RECENT
U.S. ANNOUNCEMENT OF ANOTHER GOLD AUCTION WAS BOUND TO
BE CONSIDERED AS A PROVOCATION BY THE FRENCH AND, HE
TOO, FOUND IT DIFFICULT TO UNDERSTAND. IT COULD NOT BE
IN ANYONE'S INTEREST TO DRIVE DOWN THE GOLD PRICE
FURTHER AT THIS TIME. POEHL STRESSED THAT IF THE
AGREEMENT ON GOLD CAME UNSTUCK NOW, SO WOULD THE WHOLE
MONETARY REFORM PACKAGE - INCLUDING THE TRUST FUND.
POEHL SAID IT WAS UNLIKELY THAT ANYONE WOULD BRING UP
THE GOLD QUESTION AT THE HEADS OF STATE AND GOVERNMENTS
MEETING. BUT IT MIGHT BE RAISED BETWEEN THE FINANCE

MINISTERS.

6. POEHL SAID THAT HE HIMSELF CONTINUED TO BE WORRIED ABOUT POSSIBLE CONSEQUENCES OF A BANKRUPTCY OF NEW YORK CITY. NO ONE COULD REALLY TELL WHAT THE REPERCUSSIONS
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WOULD BE. WHILE IT WAS UNLIKELY THAT SCHMIDT WOULD RAISE THIS TOPIC AT THE SUMMIT, POEHL THOUGHT THAT THERE WAS A GOOD CHANCE THAT EITHER GISCARD OR HEALY MIGHT.

7. ON THURSDAY POEHL WILL BE GOING TO MANNHEIM WHERE THE SPD IS HOLDING ITS PARTY CONVENTION TO GIVE THE CHANCELOR A FINAL BRIEFING ON THE SUMMIT PREPARATION. SCHMIDT WILL, HOWEVER, BE ALMOST ENTIRELY ENGAGED THIS WEEK WITH INTERNAL POLITICAL CONCERNS.
HILLENBRAND

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